SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

HOW-TO GUIDE FOR SETTING NEAR-TERM TARGETS

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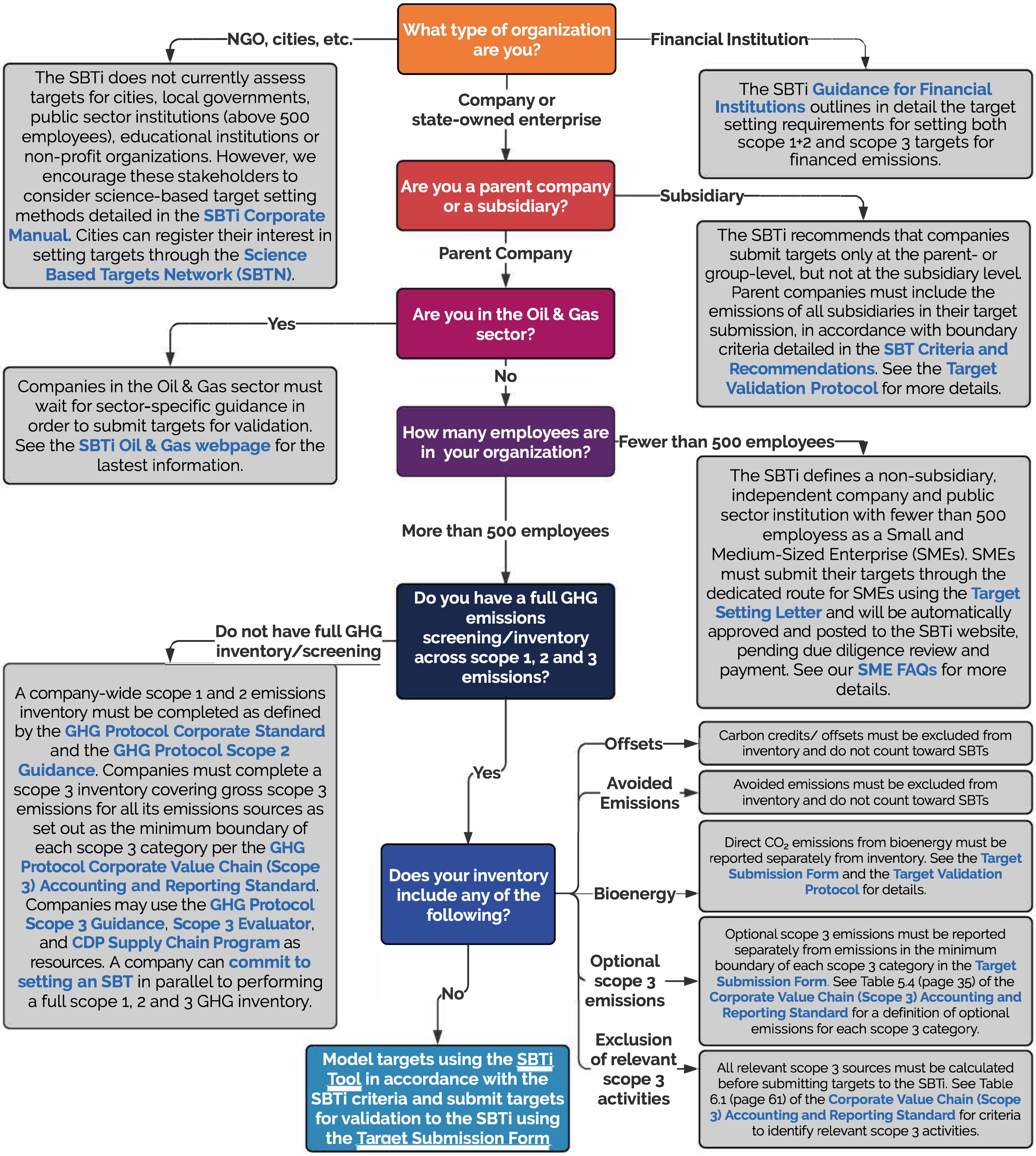
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

GETTING STARTED WITH SCIENCE-BASED TARGETS



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SETTING SCIENCE BASED TARGETS

What temperature goal should your company align its scope 1 & 2 targets to and what is the target time frame?

For more details see:

1. Foundations of SBT Setting
2. SBTi Corporate Manual
3. SBTi Criteria
4. Target Validation Protocol
5. SBTi Tool
6. Sectoral Decarbonization Approach (SDA)
7. Sector specific guidance

1.5°C aligned Scope 1 + 2 targets to be achieved in 5-10 years

In V5.0 of the SBTi criteria, companies must set 1.5°C aligned scope 1 & 2 targets using the Absolute Contraction approach or available 1.5°C aligned SDA pathways.

Scope 1 & 2 targets must cover a minimum of 5 years and a maximum of 10 years from the date the target is submitted to the SBTi for validation.

What type scope 1 and 2 target do you wish to set?

Scope 1 + 2

Scope 1 and 2 must meet Absolute Contraction or SDA minimum ambition requirements.

Scope 1 + Renewable Electricity

Scope 1 must meet Absolute Contraction or SDA minimum ambition requirements.
Scope 2 targets must meet RE sourcing requirements consistent with 1.5°C scenarios.

Companies may exclude up to 5% of scope 1 and scope 2 emissions combined in the boundary of the inventory and target.

Is a scope 3 target required?

Scope 3 less than 40% of overall emissions

No scope 3 target required, although encouraged as best practice.

Scope 3 40% or more of overall emissions

Absolute	Intensity	SDA	Supplier/Customer Engagement	Combination

If in Power or Transport sector, see sector specific guidance

Companies must set one or more emission reduction targets and/or supplier or customer engagement targets that collectively cover(s) at least 67% of total scope 3 emissions in conformance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Scope 3 target(s) must be aligned with well-below 2°C pathways.

Is sector-specific guidance available for your company?

SDA Available and/or Additional Guidance

- Power Generation
- Transport (Original Equipment Manufacturers/Automakers and Aviation)
- Services/Commercial Buildings
- Financial Institutions
- Information and communication technology providers (ICT)
- Apparel and Footwear

Industrial sectors including:
- Iron and Steel
- Cement
- Aluminum
- Pulp and Paper

See Sector-Specific Requirements Table for more details below

In Development

- Transport (Maritime)
- Forest, Land and Agriculture (FLAG)

Scoping Phase

- Aluminium
- Chemicals

Sector-Specific Requirements

Sector-specific guidance and methods are currently available for many sectors. All new, sector-specific guidance that becomes available will be uploaded to the sector development page on the SBTi website. The SBTi has sector-specific requirements related to the use of target-setting methodologies and minimum ambition levels.

Sector	Scope 1 and 2	Scope 3	Guidance/Notes
All other sectors	Sufficient ambition if in line with the absolute contraction approach.	Ambition must be in line with criteria C18.	
Apparel and footwear	Sufficient ambition if in line with the absolute contraction approach.	Ambition must be in line with C18.	Companies across the apparel and footwear value chain should consult the Apparel and Footwear sector SBT guidance for detailed guidance on target setting.
Aviation	Sufficient ambition if in line with the absolute contraction approach or 1.5°C SDA pathway, when available.	Sufficient ambition if in line with the SDA Transport Tool or absolute contraction approach, aligned to the well-below 2°C pathway.	Aviation target formulation and communication must explicitly state that targets are exclusive of non-CO_2 factors. Aviation target formulation must include a footnote stating that non-CO_2 factors which may also contribute to aviation-induced warming are not included in this target and whether the company has publicly reported or commits to publicly report its non-CO2 impacts. Emissions inventory data and target boundary should be set on a Well-to-Wake basis - the sum of both scope 1 emissions from jet fuel combustion and scope 3 category 3 “fuel- and energy-related activities” emissions from upstream production and distribution of jet fuel.
Chemical	Sufficient ambition if in line with the absolute contraction approach or 1.5°C SDA pathway, when available.	Ambition must be in line with C18.	The chemical sector pathway in the SDA tool cannot be used at present. SBTi has launched an ongoing scoping project to develop sector-specific methods, to guide chemical and petrochemical companies in setting ambitious targets and begin decarbonization. Companies that produce or sell fluoro gases (or products that use HFCs) must account for and report emissions during the

			use of these gases in cooling units/refrigerants or in industrial applications in their GHG inventory under scope 3 category 11 “use of sold products”. Companies must also account for and report HFC emissions associated with the disposal of products that use HFCs in scope 3 category 12 “end of life treatment of sold products”.
Financial Institutions	Sufficient ambition if in line with the Absolute contraction approach or relevant SDA pathways (e.g. Services/ Commercial buildings).	Sector-specific criteria and methods are available for financial institutions to align their investments and lending with Paris-aligned climate stabilization pathways.	The SBTi guidance for financial institutions outlines in detail the target setting requirements for setting both scope 1+2 and scope 3 targets for investment and lending activities. SBTi is developing separate guidance for private equity firms to set targets on their most relevant asset classes, using methods available in the SBTi finance guidance. The private equity guidance will be available in November 2021.
Fossil fuel exploration, extraction, mining and/or production	The SBTi is developing targets setting methods for oil & gas companies and cannot officially validate targets for this sector before the guidance is completed. Other companies that explore, extract, mine and/or produce coal or other fossil fuels cannot get their targets validated at this stage, irrespective of percentage revenue generated by these activities.	The SBTi is developing targets setting methods for oil & gas companies and cannot officially validate targets for this sector before the guidance is completed. Other companies that explore, extract, mine and/or produce coal or other fossil fuels cannot officially validate targets at this stage, irrespective of the percentage revenue generated by these activities.	For the target validation by the SBTi, “Oil & Gas” includes, but is not limited to, integrated Oil & Gas companies, Integrated Gas companies, Exploration & Production Pure Players, Refining and Marketing Pure Players, Oil Products Distributors, Gas Distribution and Gas Retailers. The SBTi will assess companies on a case-by-case basis to determine sector classification for SBTi validation purposes. Therefore, the SBTi reserves the right to not move forward with a company’s validation, until methods / guidance have been developed / completed. About fossil fuel service companies: Service companies are defined as companies that support exploration, extraction, mining or production of fossil fuels, and other significant activities along the fossil fuels value chain, not covered by sale, transportation, or distribution category.

			The expectation is that such companies need to account for the indirect emissions related to the fossil fuels directly or indirectly managed by the company. Given the limitation of accounting standards and target setting methods for these sectors, the SBTi reserves the right to not move forward with a company's validation. The SBTi expects that the O&G sector guidance will help inform the rules for these. About fossil fuel assets: Companies that have dormant or active fossil fuel assets (e.g. coal mine, lignite mine, etc.) for extraction activities with commercial purposes (meaning sales), cannot officially validate targets at this stage, until further specific methods and guidance. The SBTi recommends companies to decommission fossil fuel assets, instead of divesting, as this approach better reflects the need to phase-out fossil fuels in our global economy, as science indicates is necessary. If a company completely decommissions/divests from fossil fuel assets, they will no longer be considered under these rules, and can submit targets as per standard route. The SBTi recommends companies to follow the GHG Protocol for base year recalculations.
Fossil Fuel Sale/Transmission/ Distribution* **This information is only applicable to companies that receive less than 50% of their*	N/A – follow guidance for the primary sector.	In addition to guidance for the primary sector, scope 3 targets must be set on scope 3 category 11 "use of sold products" using absolute emissions	Targets must be set for category 11, irrespective of the share of these emissions compared to the total S1+S2+S3 emissions of the company. Separate scope 3 targets must be set in this case.

revenue from fossil fuel sale, transmission, or distribution.		contraction or intensity targets in line with absolute contraction, aligned with at least 1.5°C ambition thresholds.	About companies with more than 50% of their revenue from fossil fuel sale, transmission, or distribution: Companies with more than 50% of their revenue from fossil fuel sale, transmission, or distribution cannot officially validate targets at this stage. The SBTi expects that the O&G sector method and guidance will help inform the rules for companies in this situation.
Fossil fuel infrastructure/ services (dedicated vs non-dedicated)	Companies with non-dedicated infrastructure involved in the sale, transportation, and/or distribution of fossil fuels (e.g. freight train companies that transport coal among other things, etc.) can have their targets validated as per normal standard. Companies with non-dedicated infrastructure/ services, with less than 50% revenue from fossil fuel activities (e.g. tech companies, consultancies, non-exclusive trading companies) can have their targets validated as per normal standard.	The following companies can get their scope 3 use of sold product (or use-phase emissions) target validated in alignment with 1.5°C ambition thresholds (see also C22): -Companies with less than 50% revenue from sale, transportation, and/or distribution of fossil fuels with dedicated infrastructure (e.g. supermarkets that sell gas, utilities that transport natural gas, etc.) -Companies with more than 50% revenue from sale, transportation, and/or distribution of fossil fuels with non-dedicated infrastructure (exception for freight train companies or any others that are required by regulation	Dedicated infrastructure & services for these purposes is defined as infrastructure or services with unique characteristics (made for the sole purpose) to extract, process, manipulate or transport fossil fuels. In other words, all physical assets that the company possesses for the sole purpose of supporting fossil fuel value chains, or specialized services. Assets that can be used interchangeably for other products or services are not considered dedicated infrastructure. Companies with more than 50% revenue from sale, transportation, and/or distribution of fossil fuel with dedicated infrastructure (e.g. utilities that transport natural gas etc.) cannot get their targets validated at this stage and should await further specific methods and guidance. Oil and gas services companies with dedicated infrastructure/services, regardless of revenue (e.g. exclusive trading companies) cannot get their targets validated at this stage and should await further specific methods and guidance.

		to transport these goods) -Companies with non-dedicated infrastructure, with more than 50% revenue from fossil fuel activities (e.g. tech companies, non-exclusive trading companies)	
Information and communication technology providers	Sufficient ambition if in line with the Absolute contraction approach or if it meets the minimum requirements of the relevant 1.5°C ICT pathways.	Ambition must be in line with C18.	The SBTI guidance for ICT companies including mobile networks operators, fixed networks operators, and data centers operators outlines in detail the target setting requirements for setting scope 1+2 targets.
Industrial Sectors: Iron and Steel Cement Aluminium Pulp and Paper	Sufficient ambition if in line with available 1.5°C SDA pathway or absolute contraction approach.	Ambition must be in line with C18.	
Original Equipment Manufacturers (OEMs)/ Automakers	Sufficient ambition if in line with the absolute contraction approach.	Targets covering 'use of sold products' must meet the minimum level of ambition determined by the SDA Transport tool, covering Well-to-Wheel (WTW) emissions of sold vehicles, and aligned to the well-below 2°C pathway. Furthermore, targets covering 'use of sold products' must cover company-wide sales of new vehicles with no exclusions of	Tested vs Real emissions for OEMs original equipment manufacturers: Original equipment manufacturers must convert their base year emissions figures for the use-phase of their products into real emissions with the use of global standards (e.g., Worldwide Harmonized Light Vehicle Test Procedure - WLTP) when available. In the absence of a normalized test procedure for certain vehicle types, companies are invited to present and justify their own estimates/simulations based on fuel consumption-specific duty cycles to the SBTi.

		regions or road vehicle.	
Power Generation	The Sectoral Decarbonization Approach (SDA) power generation pathway defines the minimum forward-looking ambition the company must use to set targets. The timeframe and forward-looking ambition must be, at a minimum, aligned with the 1.5°C pathway. Companies operating in the power sector must adhere to the guidance for electric utilities	Ambition must be in line with C18	Based on the sector guidance for electric utilities, companies submitting targets in this sector with scope 3 emissions that represent 40% or more of overall emissions will be required to include an emissions reduction target covering all sold electricity (including purchased and resold electricity in scope 3 category 3), in addition to a target covering power generation in scope 1, for new target submissions. This target must use the SDA pathway and must be, at a minimum, aligned with a 1.5°C pathway.
Services/Commercial Buildings	Sufficient ambition if in line with available 1.5°C SDA pathway or absolute contraction approach.	Ambition must be in line with C18. Inclusion of emissions from use of sold products for architecture/design firms	Real Estate Investment Trusts (REITs) wishing to set targets must specify if they are a mortgage-based REIT or equity-based REIT. Equity REITs must pursue the regular target validation route for companies. Mortgage REITs must instead utilize the Financial Institutions guidance for setting SBTs.
Transport Services	Sufficient ambition if in line with the absolute contraction approach or 1.5°C SDA pathway, when available.	Sufficient ambition if in line with the SDA Transport Tool or absolute contraction approach, aligned to the well-below 2°C pathway.	Refer to the SBTi Transport guidance for a description of all transport sub-sectors covered by the SDA Transport tool and to learn about best practices in target-setting for transport activities. For companies in the maritime transport sector, please consult the SBTi transport resources for further information on sector-specific transport methodologies.

			Well-to-wheel boundary: For all transport-related emissions across all sectors, companies should report these emissions on a well-to-wheel (WTW) basis in their GHG inventory. Companies setting targets for transport-related emissions should cover well-to-wheel emissions in their target boundary to accurately capture emissions shifts between the tank-to-wheel (TTW) and the well-to-tank (WTT), for example, due to changes in power train technologies.

For the most up-to-date information on sector developments, please refer to the Sector Development page of the SBTi website.

Appendix 1: Document history

Version	Change/update description	Date finalized	Effective Dates
1.0	The first version of the How-To Guide for Science-based Targets	April 2021	From April 2021 to July 14, 2022
2.0	Updated to align with SBTi criteria V5.0	December 2021	From July 15, 2022